

1 to the first line on this page, again, Gulf Exhibit
2 52, page three, which says most recent 40 foot pole
3 replacement cost. And I should note for the record
4 that Exhibit 52 is a 2005 replacement cost calculation
5 based on 2004 data. So drawing your attention to that
6 first line, my question is in your 2005 rate
7 calculations, you use an average cost of a brand new
8 pole of \$601.03, which was taken by dividing the total
9 cost of new poles in 2004 divided by -- 40 foot poles
10 -- divided by the number of new poles which appears to
11 be 1,300. Is that correct?

12 A Yes, it is.

13 Q Okay.

14 JUDGE SIPPEL: Can you see that all right
15 on the screen --

16 THE WITNESS: Yes, sir, I can.

17 JUDGE SIPPEL: -- no problem?

18 THE WITNESS: And this is a line number
19 for which I have references. You wanted me to point
20 that out?

21 JUDGE SIPPEL: Would this be appropriate
22 time for her to do that --

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1 MR. COOK: Sure --

2 JUDGE SIPPEL: Maybe she --

3 MR. COOK: -- as long as we stay to that
4 line number, yes, indeed.

5 THE WITNESS: My references here only
6 indicate what other pages in my exhibit carry those
7 same figures.

8 MR. COOK: Okay. And I think you may have
9 anticipated my next question. I wanted to turn two
10 tabs over to tab 54 of Gulf Power's Exhibits. This is
11 your roll forward ledger distribution plant units, and
12 Exhibit 54, page one, and then draw your attention, if
13 I might, to -- to line three -- yes.

14 THE WITNESS: I believe you've identified
15 the line which is described in the first column as 1-
16 0-0-7.

17 MR. COOK: Okay. Yes. That's the one.
18 Okay?

19 BY MR. COOK:

20 Q Now in Exhibit 54, your roll forward
21 ledger, you take the figure of \$601.03 as the average
22 unit cost per pole for -- for 40 foot poles, right?

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1 A I do.

2 Q That's this -- this \$601 right over there,
3 okay? And that was because Mike Dunn again had
4 instructed you to use a 40 foot pole in your
5 calculations? Is that right?

6 A That was one of our premises. Yes.

7 Q Okay. Now incidentally, is it correct to
8 say Exhibit 54 shows that in 2004, Gulf actually
9 purchased slightly more 35 foot poles than 40 foot
10 poles, and here I'm looking at 1,352 in line 1,006
11 versus 1,300 of the 40 foot poles? Is that right?

12 A That is the accurate number of gross
13 additions that year.

14 Q Okay. And actually, is it correct going
15 back one column to say that Exhibit 54, page one,
16 shows that Gulf had more 35 foot poles than 40 foot
17 poles overall?

18 A At the beginning of 2004, yes.

19 Q Okay. And that it had about 50,000 thirty
20 foot poles? Is that right?

21 A That's true.

22 Q Okay. And is it right that it shows about

1 25,000 forty-five foot poles?

2 A Yes.

3 Q Okay. Now if you would look over with me
4 at Gulf Exhibit 54, page one, the third row, if you'll
5 see the last figure on the right, this 267 and change,
6 you did not use the average unit cost of all of Gulf's
7 distribution poles, that 267 in your replacement cost
8 calculations, right?

9 A That 267.24 represents the embedded
10 historical costs of all 40 foot poles on the company's
11 books, and I did not use that figure.

12 Q Okay. As opposed to the -- the
13 replacement costs of the 1,300 new poles which you
14 used?

15 A That's true.

16 Q Okay. Do you remember in your deposition
17 testifying that it would -- if you had used the actual
18 historic cost of all 40 foot poles, that that would
19 produce an annual pole attachment fee of about \$27.00
20 for year 2005, approximately half of the \$55.00 rate
21 that you had calculated?

22 A I recall doing several calculations for

1 Mr. Seiver that day. I believe that was one of them.

2 Q That was one of them? Okay. And do you
3 remember that approximately -- that it turned out to
4 be approximately half of the \$55.00?

5 A I'd like for you to refresh my memory by
6 telling me a page --

7 Q Sure. Let's turn to page --

8 JUDGE SIPPEL: I'm sorry. What did you --
9 the witness hasn't finished.

10 MR. COOK: Oh, I'm sorry.

11 THE WITNESS: I just wanted to make you
12 aware, sir, that I have handwritten notes on this
13 Exhibit 54 as well.

14 JUDGE SIPPEL: Thank you.

15 MR. COOK: Thank you.

16 MR. SEIVER: May I approach the witness
17 with tabs?

18 JUDGE SIPPEL: Yes, you may.

19 BY MR. COOK:

20 Q If I could direct your attention to the
21 deposition binder --

22 A Okay.

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1 Q -- page 154 --

2 A And you're referring to the numbers at the
3 bottom?

4 Q At the bottom, right. Complainant's depo
5 excerpt page 154 --

6 A All right. I'm with you.

7 Q -- and then within that page, page 1004 of
8 your deposition reading starting the question at line
9 eight by Mr. Seiver, (reading) "Okay, by using the
10 different cost number, the average unit cost, did you
11 come up with a calculation? I did. By using an
12 average unit cost representative of embedded cost, I
13 came up with a pole attachment fee of \$27.76" (end
14 reading). Did I read that correctly?

15 A You did. If you'll give me a minute, I'd
16 like to read the preceding questions and -- and get
17 the context right here?

18 Q Okay.

19 A Okay. I do recollect that -- 180 page
20 deposition. I just wanted to make sure I was on the
21 right track.

22 Q No. Absolutely. Thank you. Now you have

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1 no knowledge of whether any of the four complainant
2 cable operators on this case actually have attachments
3 on the -- the 1,300 poles that you used for your 2005
4 calculations, do you?

5 A Those particular 1,300 poles?

6 Q Right.

7 A I have no specific knowledge of --

8 Q Okay. Thank you.

9 A -- that.

10 Q Indeed, you have agreed that the --
11 whether a cable operator was attached to one of those
12 1,300 newly purchased poles is immaterial to your rate
13 calculations, right?

14 A That's true, because all of the poles that
15 the cable attachers are attached to are -- serve the
16 same function.

17 Q Now in fact, some of the 1,300 poles could
18 be additions to the Gulf Power distribution system,
19 right, as opposed to just replacements for existing
20 poles? Is that right?

21 A Yes.

22 Q Okay. And all of the -- switching gears

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1 a little bit to a different subject -- all of these
2 average unit cost figures for the new poles that you
3 used in your calculations, they do not include a
4 figure or component for depreciation, do they?

5 A No, they don't.

6 Q Okay. Your replacement cost calculations
7 do not reflect the actual useful lives of the poles on
8 which the complainants are attached, right?

9 A Right. There's no component for
10 depreciation.

11 Q Okay. And I believe you've said there
12 were no discussions within Gulf Power about trying to
13 include different vintages or ages of poles in the
14 replacement cost calculations, right?

15 A We do not keep track of our poles in that
16 fashion.

17 Q Okay.

18 A To the best of my knowledge.

19 Q Okay. And I believe you say in your
20 testimony at page ten that the reason why you do not
21 include depreciation is that if a Gulf Power pole is
22 damaged or destroyed, it has to be replaced by Gulf

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1 Power? Is that right?

2 A Yes, it does.

3 Q Now Gulf Power has to replace its damaged
4 or destroyed poles regardless of who is attached to
5 them? Isn't that right?

6 A Right. They all benefit from replacing
7 that pole.

8 Q But they have -- Gulf has to replace a
9 pole that has electric service on --

10 A Sure.

11 Q -- regardless of who, as far as a
12 communications attachers attach, because it has to
13 maintain service to its own customers, right?

14 A Sure.

15 Q Okay. Replacement cost methodologies in
16 general, to your knowledge, they usually include a
17 component for depreciation of the investment, don't
18 they?

19 A I don't necessarily agree with that. No.

20 Q Okay. But this is the first time that
21 you've applied replacement cost methodologies over the
22 last six years in this matter here to pole attachment

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1 fees? Is that right?

2 A This is my only experience with pole
3 attachments. Yes.

4 Q Okay. If depreciation were included as an
5 element in the investment portion of your
6 calculations, the annual pole rental rates would be
7 lower, wouldn't they?

8 A If you include depreciation and that first
9 part -- that first component of the calculation,
10 investment, yes, they would be lower. However, if you
11 include depreciation in the carrying charge -- in the
12 investment related to the carrying charge of the
13 component, those carrying charges would go up.

14 Q Let me focus right now -- we're talking
15 only about the first of the three components --

16 A Okay.

17 Q -- pole investment, the \$601.00 based on
18 the 1,300 poles. If depreciation were included as an
19 element in the investment portion of your
20 calculations, then the -- everything else staying the
21 same, the annual pole rental rates would be lower,
22 wouldn't they?

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1 A Yes.

2 Q So if your calculations had used average
3 unit costs of all poles in Gulf's system, what you
4 referred to as the historical or embedded cost over
5 here, that you recalled a moment ago would lead to
6 approximately a pole attachment rate of about half of
7 the \$55.00, if you used that and then you added
8 depreciation in addition, then everything staying the
9 same, the annual pole rental rates would be even less
10 than the figure of \$27.00 we spoke about a moment ago,
11 right?

12 A They would be.

13 Q Okay. And the replacement cost figures
14 for new poles, they clearly fluctuate from year to
15 year, don't they?

16 A Yes, they do.

17 Q So your replacement cost based annual pole
18 attachment rates change from year to year even if the
19 actual poles that cable attachers are on in the field
20 do not change from year to year, right?

21 A Yes.

22 Q Okay. Now going from the \$601.00 figure

1 in your calculation on the investment, the first prong
2 of your calculation, to the next item that you add in
3 the investment, you add a figure of about \$72.76 for
4 grounds and arresters, right? This would be testimony
5 pages seven to eight.

6 A Yes. For the year that we are discussing
7 the amount for grounds and arresters is \$72.76.

8 Q Okay. And grounds and arresters are
9 something that Gulf Power has to install for its own
10 electrical service listings, correct?

11 A Yes.

12 Q Okay. Gulf doesn't install any extra
13 grounds and arresters just to serve the cable
14 attachers to your knowledge, does it?

15 A I don't know.

16 Q Okay. But you're including the \$72.76 in
17 your calculation because Mr. Dunn told you that cable
18 benefits from Gulf's already having installed grounds
19 and arresters, correct?

20 A That's my understanding.

21 Q Okay. Incidentally, the \$72.76, this is
22 not the historic costs of installing the grounds and

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1 arresters, but the cost to replace or provide new
2 grounds and arresters, right?

3 A Like the other components of my
4 calculation, this is not historic costs. That's true.

5 Q Okay.

6 A These are replacement costs.

7 Q I'd like to go to the third and I believe
8 last component of the first prong of your
9 calculations, that is you include a figure for some
10 \$33.31 per pole under investment as a allocation for
11 general plant, right?

12 A Yes.

13 Q And you describe general plant, I believe
14 this is page nine of your testimony, as an investment
15 that quote "supports the operation of the entire
16 company," right?

17 A Yes.

18 Q Okay. And you testified that general
19 plant investment is recorded in FERC accounts 389
20 through 398, right? That's --

21 A That's correct.

22 Q I'm sorry. I wanted to give you testimony

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1 at page eight. Now these FERC accounts are -- 389 to
2 398, they are not part of the FCC cable rate formula,
3 are they?

4 A I don't think they are.

5 Q Okay. You describe in your testimony the
6 general plant allocation as including accounts for
7 such things as office equipment, right?

8 A That is one of a number of items that are
9 included in those accounts.

10 Q Okay. And that might include something
11 like the copying machine I take it?

12 A It could if --

13 Q And another --

14 JUDGE SIPPEL: Wait, wait.

15 MR. COOK: I'm sorry?

16 JUDGE SIPPEL: She hadn't finished. Yes.

17 THE WITNESS: If -- if the copy machine
18 cost enough to be a capital item.

19 MR. COOK: Okay.

20 BY MR. COOK:

21 Q And another category you list under
22 general plant allocation is covering accounts for

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1 something such as transportation equipment, right?

2 A Yes.

3 Q And you also mention tools? Is that
4 right?

5 JUDGE SIPPEL: Top of page nine.

6 THE WITNESS: Yes.

7 BY MR. COOK:

8 Q Now Gulf Power is going to have office
9 equipment regardless of whether or not it has cable
10 attachers, right?

11 A A certain amount of office equipment, but
12 the theory here for this allocation is that for every
13 additional dollar of distribution equipment that you
14 have, whole equipment that you have, there is a need
15 for some additional general plant equipment.

16 Q But you haven't -- I'm sorry. I didn't
17 want to --

18 A I believe --

19 JUDGE SIPPEL: Let's wait until she's
20 finished.

21 MR. COOK: Yes.

22 JUDGE SIPPEL: Go ahead and finish.

1 THE WITNESS: I believe in this instance,
2 for this particular year that we're talking about, for
3 every dollar of additional equipment in the
4 distribution area, pole investment for example, there
5 would be a need for 5.54 cents of general plant
6 investment.

7 BY MR. COOK:

8 Q But you have made no attempt to determine
9 how many additional copying machines or office
10 equipment are necessitated to deal with the cable
11 attachers in this proceeding, right?

12 A The calculation here is not that specific.

13 Q Okay.

14 A Once again, it is based on averages.

15 Q And Gulf Power is going to have
16 transportation equipment regardless of whether or not
17 it has cable attachers, isn't it?

18 A They're going to have some, yes.

19 Q And Gulf Power is going to have its own
20 tools to work on the poles regardless of who's
21 attached to the poles, right?

22 A My answer is the same, some, yes.

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1 Q Okay. And -- but you have no knowledge of
2 Gulf's having bought any additional tools specifically
3 to serve the cable attachers, do you?

4 A What I'm --

5 MR. COOK: If I could, Your Honor, this is
6 a yes or no question.

7 BY MR. COOK:

8 Q You have no knowledge of having bought any
9 additional tools to serve the cable attachers, do you?

10 A We don't -- no, not specific wrenches or
11 screwdrivers.

12 Q Okay. Thank you.

13 MR. LANGLEY: Your Honor, if she has an
14 explanation there to give, can she be allowed to --

15 JUDGE SIPPEL: All right.

16 MR. LANGLEY: -- provide that?

17 JUDGE SIPPEL: Yes. Do you want to
18 elaborate on that a bit at this point?

19 THE WITNESS: Yes, I would.

20 JUDGE SIPPEL: All right. I'm going to
21 permit it. Go ahead.

22 THE WITNESS: What I am trying to convey

1 here, sir, is that when you increase the, in this
2 case, distribution part of the business, there is
3 going to be a correlation to the general plant part of
4 the business, so although I cannot tell you that this
5 particular screwdriver was purchased for this cable
6 attachment, the more cable attachers you have, the
7 more distribution business that you have, the more
8 general plant investment you're going to make. That's
9 all I wanted to add.

10 JUDGE SIPPEL: Okay. But that's not done
11 by way of an inventory matching --

12 THE WITNESS: No. Sure it's not.

13 JUDGE SIPPEL: -- the customer, it's just
14 done --

15 THE WITNESS: Just as an allocation, an
16 average.

17 JUDGE SIPPEL: Is that a -- is that -- is
18 that more of an accounting concept or how do you --

19 THE WITNESS: Yes, sir. I would
20 categorize it that way.

21 JUDGE SIPPEL: Okay. All right.

22 MR. COOK: Thank you, Your Honor.

1 BY MR. COOK:

2 Q And for the 2004 data, kind of summing up
3 this first category of your calculation, you take a
4 percentage that you derive for general plant and you
5 multiply it times the average unit cost for a new
6 pole, right?

7 A Would - would you repeat that? I want to
8 make sure I do get the math right --

9 Q Sure. Again, using this same year,
10 although --

11 JUDGE SIPPEL: What year are we using?

12 MR. COOK: We're using 2005, which the
13 witness uses 2004 cost data to calculate the 2005 rate
14 --

15 JUDGE SIPPEL: Thank you.

16 MR. COOK: -- throughout all of these
17 question -- questions, for the record.

18 BY MR. COOK:

19 Q Now just finishing up with general plant,
20 you take that percentage that you just spoke about a
21 moment ago, from memory I think it was at 5 point some
22 odd percent?

1 A Five point five four percent.

2 Q And you multiply that times the average
3 unit cost for a new pole, right?

4 A Yes.

5 Q And you take the result, some \$33.00, and
6 add it to the \$601.00 for the cost of the new pole and
7 the about -- approximately \$72.00 for the grounds and
8 arresters to come up with the overall investment cost
9 of some \$777.00, correct?

10 A No, sir. It's \$707.00.

11 Q Seven hundred and seven. I misread that.
12 Okay.

13 A Okay.

14 Q Very good. By comparison, you don't know
15 how the FCC uses pole investment account for the
16 purposes of determining the net cost of a bare pole,
17 do you?

18 A I'm not intimately familiar with that, no.

19 Q Okay. But you've testified that you think
20 there's a greater value to the cable operator of
21 attaching to a Gulf Power pole than is reflected in
22 the FCC's actual or historic cost calculation, right?

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1 A Yes.

2 MR. COOK: Okay. I'd like to move to the
3 second component of your replacement cost
4 calculations. There's some questions about the
5 carrying charge. And here, if I could, ask to be
6 brought up Exhibit 52. That's the one we looked at a
7 moment ago. Page seven of those exhibits. Let's see,
8 did I get that right? Actually, it's page one -- page
9 one of Exhibit 52. If I could draw your attention,
10 Ms. Davis, to what's on the screen, Exhibit 52, page
11 one, to the line total carrying charge rate and amount
12 per pole. It says 27.994 percent.

13 THE WITNESS: That's correct.

14 BY MR. COOK:

15 Q In your calculations in general, the
16 carrying charge percentages are about 28 to 29
17 percent? Is that right?

18 A Yes.

19 Q And do you know that under the FCC
20 formula, the carrying charges are about 15 percent
21 higher, around 43 to 44 percent?

22 A Yes, I've been told that.

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1 Q Okay. So in terms of helping the court
2 understand today why your replacement cost rates are
3 higher than the FCC rates or the rates being paid by
4 the complainants, it's not the carrying charge that
5 accounts for the higher rates, but it's the other two
6 components, the pole investment that we just talked
7 about and then the space allocation. Is that correct?

8 A Yes.

9 Q Okay. Well, I only have a few questions
10 then about the carrying charge calculations. You
11 haven't read any FCC decisions that discuss which FERC
12 accounts are appropriate to use in determining the
13 cable pole attachment rate, have you?

14 A No, I've not read those whole things.

15 Q Okay.

16 A I have seen some formulas before, but I
17 don't have it memorized.

18 Q Okay. You never read any FCC decisions
19 discussing which FERC accounts go into the FCC pole
20 formula and which don't? Is that right?

21 A Not unless Mr. Seiver showed me some of
22 those in my deposition.

1 Q Okay. Turning to your testimony for a
2 moment, page 11, among the FERC cost accounts that you
3 included in your replacement cost calculations -- this
4 is in the middle of the page -- are accounts 580, 583,
5 and I'm going to pick another one, 590, right?

6 A Yes. I see those on line 13 of my
7 testimony.

8 Q Okay. Now you don't know that the FCC has
9 issued a Commission order specifically rejecting the
10 inclusion of those accounts in the FCC formula, do
11 you?

12 A No, I did not know there was an order to
13 that effect.

14 Q Okay.

15 THE WITNESS: Excuse me, Your Honor?

16 JUDGE SIPPEL: Yes.

17 THE WITNESS: This page right here that's
18 on the screen is a page that I have some minimal notes
19 on.

20 JUDGE SIPPEL: Page one --

21 THE WITNESS: Yes, sir.

22 JUDGE SIPPEL: -- of Exhibit -- what is

1 it, Exhibit --

2 THE WITNESS: -- fifty-two.

3 JUDGE SIPPEL: -- fifty-two --Exhibit 52.

4 THE WITNESS: Yes, sir.

5 JUDGE SIPPEL: Yes. Would you please --
6 let's see if we can clear that up.

7 BY MR. COOK:

8 Q You also have in your calculations, I
9 believe in here have referred to Exhibit 52, page two,
10 a FERC account number 368 that includes line
11 transformers and arresters, right?

12 A Yes.

13 JUDGE SIPPEL: We can --

14 MR. COOK: We can draw up the next page.
15 Probably has to be flipped around. You include this
16 FERC 368 for line transformers and arresters, right?

17 THE WITNESS: That is included in the
18 denominator that I used to calculate some of the
19 carrying charges that are described more fully on page
20 five.

21 BY MR. COOK:

22 Q I'm sorry. You say it is used?

1 A Yes, it is.

2 Q Okay. And you're not aware that the
3 Commission in what's called the Fee Order of April
4 2000 specifically rejected the inclusion of account
5 368, are you?

6 A No, I'm not.

7 Q Okay.

8 THE WITNESS: May I add something here?

9 JUDGE SIPPEL: Yes, you may.

10 THE WITNESS: The inclusion of this FERC
11 account here in the calculation of the carrying
12 charges reduces the carrying charge. That's that
13 small one. Because the denominator is larger.

14 MR. COOK: Your Honor -- or actually I
15 should direct this to the witness. We said a moment
16 ago that the carrying charge is not the one of the
17 three prongs of your calculation that results in a
18 much higher pole attachment rate, right? It's the
19 investment or the cost of a pole and the space
20 allocation, right? I believe you agreed with me on
21 that?

22 THE WITNESS: I did. I just wanted to